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NSC BRIEFING

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- I. Opposition to President Garcia is growing with the continued failure of his administration to stem economic drift and official corruption.
 - A. Recently, Garcia was booed by a crowd of 40,000 at a Manila sports event, and his picture on Manila theatre screens is said to provoke a similar response.
 - B. A reception staged for Garcia's return from his goodwill trip to Japan was overshadowed by a later welcome given Senate and administration party president Rodriguez, with whom Garcia is openly feuding.
 1. Rodriguez is said to have offered to lead an anti-Garcia wing of the party.
 - C. A recent embassy survey in rural areas of Luzon indicates widespread public apathy toward both Garcia and government institutions, which could deteriorate into serious social unrest.
- II. Although economic conditions have not become critical, the Philippine government has made no progress in checking inflationary pressures; foreign exchange reserves hit a new low in December.
 - A. The budget commissioner, who has met little success trying to curtail government expenditures or increase revenues, told a congressional hearing that the country was on the verge of bankruptcy.

- B. Heavy pressure continues for peso devaluation, but Garcia remains opposed.



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III. Although rumors of armed forces plotting against Garcia have abated, the president has moved to place his men in control of the army and constabulary.

- A. Garcia reportedly still plans early cabinet changes which will include removal of Defense Secretary Vargas, who has been under political attack in connection with coup rumors as well as for alleged presidential ambitions.
- B. Both Vargas and recently retired armed forces chief Arellano have charged that the coup rumors were instigated by Nacionalista politicians seeking to control the armed forces in future elections.

IV. At the same time, and increasingly nationalistic attitude toward Philippine economic and defense ties with the United States ⁵ raises the possibility that Garcia may stimulate anti-American sentiment to cover up for his own domestic failures.

- A. A press campaign, presumably officially inspired, on behalf of the Philippine stand in the present exploratory base talks may be designed to force American concessions which could bolster Garcia's prestige.